

## Renewable Northwest Project

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Renewable Northwest Project

October 31, 2007

Scott Wilson  
Bonneville Power Administration  
PO Box 3621  
Portland, OR 97208

Dear Mr. Wilson:

This letter is in response to your request at the October 23 Regional Dialogue meeting for public comments on BPA's proposed framework for the Environmentally Preferred Product (EPP). The importance of the new contracts and contractual framework offered by BPA is clearly of paramount importance to BPA's customers. Renewable Northwest Project has both general and specific suggestions that we feel build on the important work BPA presented in the Regional Dialogue meetings.

### General Comments

We urge BPA to take a leadership position in charting a 21<sup>st</sup> Century future for renewables in the Northwest. BPA is vital in today's world of renewable energy standards and global climate change. The agency needs to be creative, anticipate and respond to its customers' needs, and actively provide products and services that will propel us forward to the clean energy future that end-use customers have demonstrated they want.

BPA has been, and continues to be, the premier provider of renewable resource (hydro power) in the United States. BPA's leadership role was recognized and reinforced under the 1980 Pacific Northwest Electric Power Planning and Conservation Act (Act), and the establishment of the Northwest Power and Conservation Council (Council). The Act specifically set out to encourage the development of renewable resources [893(3)(A)], directing the Council to develop power plans consistent with the Act, and the BPA Administrator to take actions consistent with the Act. The Act directed the Council to give first priority for resource acquisition in the Council's power plan to conservation, and then to renewable resources [839b(e)(1)].

Renewable energy standards have now been established in Oregon, Washington, and Montana, with a national standard actively under consideration in Congress. BPA's central role in the development of new renewable energy resources is assured due to the broad reach of its unequaled transmission system, and the flexibility of its hydro system for integrating dynamic resources such as wind economically. Although the power system has limited, and even diminishing flexibility, it still retains enough flexibility to integrate wind resources more economically than any other entity in the region. This has become evident in the wind integration rate workshops.

The foregoing suggests that any structure for renewed contracts would anticipate both the importance of renewable resource acquisitions in the region, and BPA's central role in that process. Instead, BPA appears to have proposed a very passive role for itself, one that seeks to accommodate the possibility of renewable resource acquisitions without being designed to actively help its customers acquire the resources they will need to satisfy their renewable energy standards, and integrated resource plans in an economic and efficient manner.

This lack of emphasis on meeting BPA customers' need for renewable resources shows up in several ways. For example, the framework provides no mechanism for long-term purchases of RECs or renewable power. The proposed Environmentally Preferred Product (EPP) will have limited availability and limited rollover rights. It may continue to be appropriate to meet utility voluntary green power program needs, but BPA staff specifically stated that the EPP is not anticipated to meet utility renewable energy standards. BPA's proposed Tier 2 Renewable Product guarantees an amount of energy delivered, but does not guarantee that energy will come from renewable resources, making it virtually useless for meeting renewable energy standards on a planning basis.

The one product that holds any promise for utilities to meet their standards may be the Tier 2 Vintage Product. Yet, BPA appears to be taking a very subordinate role in bringing Vintage Product resources to the table. Customers suggested holding an "Open Season" for renewable resources that would allow BPA to identify interest in long-term contracts for specific resources or resource types. RNP endorses that idea. BPA needs to take a central leadership role in determining the need for renewable resource acquisitions and working collaboratively with its customers to acquire them.

The Vintage Product solution will not work for all of BPA's customers. Some utilities may not be growing, or have met their anticipated load growth into future years with efficiency and other resource acquisitions. Such utilities will not likely need or want renewable energy deliveries, but will need to purchase long-term Renewable Energy Credits (RECs) alone. This does not appear to be possible through the Tier 2 Vintage Product or any other part of BPA's proposed framework. This shortcoming needs to be addressed.

## **Specific Suggestions**

### Long Term Contracts

BPA needs to offer long term contracts for both power with associated RECs and RECs alone, not just rollover rights subject to future rationing. Contracts need to reflect strictly renewable energy, and may be fixed to specific resource performance (i.e., fix the "greenness" of the product, not the energy deliveries). Any "green" or "renewable resource" product must truly contain 100% renewable energy.

### Augmented Augmentation

BPA proposes to acquire renewable resources to meet some part of the increased demand placed by BPA customers. BPA should consider with equal seriousness and resolve, targeting a level of acquisition tailored not simply to expected load growth, but expected demand for meeting renewable energy standards. The EPP product should be guaranteed to those customers willing to enter into long-term purchase agreements, in sufficient quantities to meet renewable energy standards where desired, and without exposure to rationing.

### Renewable Resource Open Season

One useful suggestion raised by a BPA customer representative in a Regional Dialogue workshop was for BPA to conduct an “open season” similar to those conducted for transmission services in order for BPA customers to clarify their interest in long term purchases of renewable power and/or RECs from BPA. This is of special interest and concern to RNP in that BPA has seemed to lag behind in acquiring renewable resources. An open season would give BPA a clear signal, and mitigate risks associated with over or under acquiring renewable resources for its customers.

### RSS/RSA Services

BPA’s RSS and RSA services are necessary to Tier 2 resources as proposed. RNP highly recommends a more straightforward and internalized approach. BPA should establish cost-based services for within-hour integration and storage and shaping as needed to integrate Tier 2 resources into the federal system. The proposal is overly dependent on an hypothesized future of scarcity and shortages in which the federal hydro system is constrained at all times for all purposes.

It will never be possible to fully utilize all of the flexibility of the power system due to the variability and uncertainty of streamflows, loads, etc. Furthermore, a future in which a large percentage of energy loads are met with less-controllable renewable resources, is likely to be a future of energy surpluses on many, if not the vast majority of hours. The proposed RSS/RSA services could be completely dropped in favor of a system of more standard charges for existing products. The construct of blocking the resources flat over months and days is strained at best, and likely economically inefficient.

### **Summary**

BPA needs to recognize its central role in renewable resource acquisition for its customers, and step up to that challenge. An acceptable contractual framework is one in which BPA customers can meet long-term planning, and renewable energy standards with BPA products and services. BPA must provide long-term contracts for renewable energy credits with, or without power for that purpose. BPA can largely minimize its risk exposure to over or under acquiring resources by conducting an open season for customers to express their need for renewable resources. Finally, BPA needs to become more active now to help the region meet its renewable energy needs.

Sincerely



Rachel Shimshak

Director, Renewable Northwest Project



Ken Dragoon

Research Director, Renewable Northwest Project